

BUSINESS FINANCING

To Be or Not To Be!

by:

J.F. (Jim) Straw

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Over the years, there have been literally thousands of reports, articles, monographs, books, booklets, and courses written on the subject of "business financing." - Some are tomes of great wisdom; offering the reader insights into the technical mechanics of capital utilization, equity determinations, unsecured borrowings, time sales contracts, public stock issues, and loan applications. Others are 90% hype; offering the reader false hope, based on misinterpretation of fundamental financing techniques and principles (like the non-existent 5 to 1 compensating balance on small, insignificant loans).

Unfortunately, the number of written works in the "hype" category far exceeds the small number of well-written, factual works of knowledge. These "business fairy tales," due to their misinterpretations, misrepresentations, and easy-money proclamations, lead the uninformed small businessman (or opportunity seeker) into believing that "any & every" business proposition is financeable; if you can only locate the right source.

All too often, the beginning Money Broker / Financial Consultant, having read one (or more) of these "hype" reports, believe the only thing he needs are more and more sources. He erroneously believes that, if he has enough sources, he will be able to locate funding for anything that crosses his desk. - Nothing could be further from the truth.

Statistically, less than 5% of the financing requirements offered to a Money Broker / Financial Consultant are even worthy of consideration. Yet,

you will find that most beginning Money Brokers will accept, and attempt to place, "every" financing request they receive; regardless of their merits. - Is it any wonder that funding sources view Financial Consultants with cynicism?

Yet, the question I get asked most often by beginning Money Brokers is, "Where can I find more legitimate sources of financing for my business projects (or client's projects)?" - In answering that question, I usually start off by telling the questioner a "true" story.

Back in the days when I was doing some money brokering, I had a man come to me with a business project that was (in my eyes) out of this world. It had everything and my client had outdone himself in preparing all of the necessary paperwork.

At first, I contacted all of the BIG lenders listed in the various directories. -- I got some interest but not much hope. -- Then, I had a person contact me needing a personal loan of a couple thousand dollars, so I went down to the local office of a nationwide personal finance company.

The manager of that finance company readily approved the couple thousand dollar personal loan...then, I told him about the bigger business project I was working on. -- He asked to see it. -- In no time at all, he had his district manager looking over the project and it was funded in less than 30 days...to the tune of a few hundred thousand dollars.

So, when anyone asks me about "where" they can find 'legitimate' financing sources, I ask them one question in return, "Have you looked in your local Telephone Book Yellow Pages?" - Believe it or don't (as you will), you can find an abundance of direct sources of financing in your local Yellow Pages, all you have to do is look - and - although the local offices of those finance companies don't usually advertise their bigger offerings, they will usually entertain them through their district or regional offices. -- When you're looking for more 'legitimate' financing sources, don't overlook the obvious ... Check Your Local Telephone Book Yellow Pages!

Another gross-misunderstanding held by the vast majority of small business people, and (sadly) beginning Money Brokers, is that tangible property collateral will make a loan. - Collateral proffered without a sound plan for utilization of loan proceeds, or with a lack of skill and/or tenure by the borrower, has NO real value in the money market.

On the other hand, a solid plan for utilization of capital, from a knowledgeable borrower, can generate its own collateral position. - I, personally, have seen a piece of real estate with a market value of less than \$100,000 used to collateralize a loan of \$250,000. The plan was solid, the borrower was knowledgeable and successful in his field, and the bank re-

appraised the property itself; to reflect the higher loan value in its portfolio.

To insure your success in the money market, or as a Money Broker/Financial Consultant, it would be wise to take to heart and utilize Straw's Law of Business Finance, when considering any requirement for business funding.

STRAW'S LAW OF BUSINESS FINANCE

Business financing is an expedient; not salvation. It is ONLY a way of spending tomorrow's earnings, today. If the project AND borrower, combined, cannot logically indicate future earnings; the lenders won't touch it with a 10-foot pole.

And, always remember not to overlook the obvious in your search for a real, 'legitimate' funding source ... right in your own backyard ... listed in your Telephone Book Yellow Pages.

Bio:

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